

## Testimony to the California Energy Commission

CALIF ENERGY COMMISSION

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Good afternoon ladies and gentlemen. My name is Jim Holland and I am the Vice President of Operations for Los Angeles Export Terminal, Inc. which owns and operates a major petroleum coke export facility located in the Port of Los Angeles ("Port"). I appreciate this opportunity to comment on the need for the State to facilitate the development of energy infrastructure.

Los Angeles Export Terminal, Inc., known as LAXT, has attempted to develop various energy infrastructure projects in the Port. It has been our experience that the Port has been more interested in the container business and, more recently, on non-commerce, politically motivated development. This narrow focus on containers and non-business activities has been unfortunate for the citizens of this State and the region.

Since 1998, LAXT has tried to develop a crude oil terminal, provide a site for a liquefied natural gas or "LNG" terminal, and recently to develop a clean fuels terminal. All of these projects have been thwarted by the Port. To illustrate the difficulty of developing energy infrastructure I would like to relay LAXT's experience in attempting to develop a crude oil receiving terminal.

In 1998, responding to a request from a Southern California refinery, LAXT and a major energy company requested that the Port consider the development of a crude oil

import facility on unused and underutilized portions of land leased by LAXT from the Port. This project would have utilized an existing dock, many existing pipelines and existing storage tanks that were underutilized. These storage tanks would have been supplemented in the future with new tanks on unused land within LAXT's facility. This project had all the ingredients of a successful business venture including a customer, potential for future growth, an economic plan for a clean, efficient terminal and an experienced terminal operator. As an investor, landlord and lead government agency for development at LAXT, the Port had a unique opportunity to support this beneficial development. Instead the Port used its absolute power to deny and effectively veto the project. The Port has regularly turned down the concept of a crude oil terminal at LAXT since 1998. The primary stated reason was that the project, if developed, would likely stop the development of a greenfield liquid bulk site the Port wanted developed on Pier 400. Pier 400, built as an "Energy Island" by the Port was ultimately converted to container use.

In April 2003, the Port received an Application for Development Permit from a pipeline company which would use at most 15 acres of Pier 400 for a dock structure and proposed to use over 30 acres of land leased to LAXT on Pier 300 for a tank farm. The project which the Port would not consider when requested by LAXT became acceptable with a face saving dock on Pier 400. The Port, in an act of bad faith, negotiated with a third party to use a portion of LAXT's long-term leased property for a project which it had consistently denied LAXT.

In October of 2003, LAXT submitted a competing Application for Development Permit, or ADP, to the Port. This ADP was the formal application to develop a crude oil terminal. LAXT, its proposed partners and many people in the liquid bulk handling industry believe that the crude oil terminal located at LAXT would be safer, more efficient and more economical than the alternate favored by the Port.

The Port has been unwilling to meet and discuss the LAXT proposed project. Refusing to meet and discuss details is a poorly disguised stall tactic to discourage development. The Port sends written requests for information but refuses to meet and discuss the proposal.

In response to written questions from the Port, supplements to our ADP were filed on February 12, 2004 and May 14, 2004. A comparison of the proposed LAXT project versus the alternate Port favored project finds that, (a) the LAXT project requires a shorter pipeline in the Port (approximately 1 mile vs. 4 miles), (b) the LAXT project uses an existing dock, avoiding construction pollution of the air and water, (c) In the event of a spill, containment would be much easier and cause less disruption at the LAXT site, (d) the LAXT project has all of the storage tanks on one site as compared to as many as five sites separated by public roads and railroad tracks in the alternate proposal and (e) the LAXT tanks are further from the major railroad tracks and public roads.

On April 7, 2004 LAXT received a letter effectively denying LAXT's application. The Port's denial was insulting. The Port expressed concern that they would have to negotiate revisions to LAXT's lease. What is the function of port management if not to negotiate contracts? The Port questioned the financial conditions of the project and its backers. The Port had previously approved the finances of one of the backers and never looked at the finances of the other, which is a billion dollar plus company. The Port found fault in LAXT's proposed conditions which are regularly approved at other facilities. The Port raised environmental concerns about the LAXT project which would be a greater concern at the Port's preferred alternative location. Given the disparity in the Ports actions between LAXT and the alternative project, LAXT requests that the State investigate the situation.

The LAXT ADP for a crude oil terminal development includes plans for a clean fuels terminal. LAXT believes that there is a need to expand the import capacity of clean fuels.

The LAXT project could provide for this import expansion and could allow for the relocation of existing facilities away from inner harbor communities and marinas to the safer, more industrial, outer harbor area. The Port has rejected any consideration of LAXT's proposed clean fuels facility.

LAXT requests that the California Energy Commission assist LAXT to ensure that the Port give appropriate consideration to LAXT's proposed energy infrastructure developments in the Port of Los Angeles.

If you have any questions, I would be pleased to answer them and if you would like a follow up meeting with your staff, I would be happy to meet with them along with our consultants. Thank you very much for your kind attention and the opportunity to address you.